

Provisions Act or any other provision of law, not more than 15 percent of the funds allocated to a local educational agency for any fiscal year under this subpart (but not including funds received through any reallocation under this subpart) may remain available for obligation by such agency for 1 additional fiscal year.

“(b) **WAIVER.**—A State educational agency may, once every 3 years, waive the percentage limitation in subsection (a) if—

“(1) the agency determines that the request of a local educational agency is reasonable and necessary; or

“(2) supplemental appropriations for this subpart become available.

“(c) **EXCLUSION.**—The percentage limitation under subsection (a) shall not apply to any local educational agency that receives less than \$50,000 under this subpart for any fiscal year.

“SEC. 1128. SECULAR, NEUTRAL, AND NONIDEOLOGICAL.

“Any school that receives funds under this part shall ensure that educational services or other benefits provided under this part, including materials and equipment, shall be secular, neutral, and nonideological.”

PART B—STUDENT READING SKILLS IMPROVEMENT GRANTS

SEC. 111. READING FIRST; EARLY READING FIRST.

Part B of title I (20 U.S.C. 6361 et seq.) is amended—

(1) by striking the part heading and inserting the following:

“PART B—STUDENT READING SKILLS IMPROVEMENT GRANTS”;

(2) by redesignating sections 1201 through 1212 as sections 1231 through 1242, respectively; and

(3) by inserting after the part heading the following:

“Subpart 1—Reading First

“SEC. 1201. FINDINGS.

“The Congress finds as follows:

“(1) The 2000 National Assessment of Educational Progress found that 68 percent of fourth grade students in the United States are reading below the proficient level.

“(2) According to the 2000 National Assessment of Educational Progress report on reading, 63 percent of African Americans, 58 percent of Hispanic Americans, 60 percent of children living in poverty, and 47 percent of children in urban schools scored ‘below basic’ in reading.

“(3) More than 1/2 of the students placed in special education classes are identified as learning disabled and, for as many as 80 percent of the students so identified, reading is the primary difficulty.

“(4) It is estimated that, at a minimum, 10,000,000 children have difficulty learning to read. 10 to 15 percent of those children eventually drop out of high school, and only 2 percent complete a 4-year program at an institution of higher education.

“(5) It is estimated that the number of children who are typically identified as poor readers can be significantly reduced through the implementation of early identification and prevention programs that are based on scientifically based reading research.

“(6) The report issued by the National Reading Panel in 2000 found that the course of reading instruction that obtains maximum benefits for students includes explicit and systematic instruction in phonemic awareness, phonics, vocabulary development, reading fluency, and reading comprehension strategies.

“SEC. 1202. PURPOSES.

“The purposes of this subpart are as follows:

“(1) To provide assistance to States and local educational agencies in establishing reading programs for students in grades kindergarten through 3 that are based on scientifically based reading research, in order to ensure that every student can read at grade level or above not later than the end of the third grade.

“(2) To provide assistance to States and local educational agencies in preparing teachers, in-

cluding special education teachers, through professional development and other support, so the teachers can identify specific reading barriers facing their students and so the teachers have the tools to effectively help their students learn to read.

“(3) To provide assistance to States and local educational agencies in selecting and administering rigorous diagnostic reading and screening assessment tools that are valid and reliable, document the effectiveness of this subpart in improving the reading skills of students, and improve classroom instruction.

“(4) To provide assistance to States and local educational agencies in selecting or developing effective classroom instructional materials, programs, and strategies to implement scientific research-based methods that have been proven to prevent or remediate reading failure.

“(5) To strengthen coordination among schools and early literacy programs in order to improve reading achievement for all children.

“SEC. 1203. FORMULA GRANTS TO STATES.

“(a) **IN GENERAL.**—

“(1) **AUTHORIZATION TO MAKE GRANTS.**—In the case of each State that in accordance with section 1204 submits to the Secretary an application for a 5-year period, the Secretary, subject to the application’s approval, shall make a grant to the State for the uses specified in subsections (c) and (d). For each fiscal year, the funds provided under the grant shall equal the allotment determined for the State under subsection (b).

“(2) **DURATION OF GRANTS.**—

“(A) **IN GENERAL.**—Subject to subparagraph (B), a grant under this section shall be awarded for a period of not more than 5 years.

“(B) **INTERIM REVIEW.**—

“(i) **PROGRESS REPORT.**—

“(1) **SUBMISSION.**—Not later than 60 days after the termination of the third year of the grant period, each State receiving a grant under this section shall submit a progress report to the Secretary.

“(II) **INFORMATION INCLUDED.**—The progress report shall include information on the progress the State, and local educational agencies within the State, are making in reducing the number of students served under this subpart in the first and second grades who are reading below grade level, as demonstrated by such information as teacher reports and school evaluations of mastery of the essential components of reading instruction. The report shall also include evidence from the State and its local educational agencies that they have significantly increased the number of students reading at grade level or above, significantly increased the percentages of students in ethnic, racial, and low-income populations who are reading at grade level or above, and successfully implemented this subpart.

“(ii) **PEER REVIEW.**—The progress report described in clause (i) shall be reviewed by the peer review panel convened under section 1204(c)(2).

“(iii) **CONSEQUENCES OF INSUFFICIENT PROGRESS.**—After the submission of the progress report described in clause (i), if the Secretary determines that the State is not making significant progress in meeting the purposes of this subpart, the Secretary may withhold from the State, in whole or in part, further payments under this section in accordance with section 455 of the General Education Provisions Act (20 U.S.C. 1234d) or take such other action authorized by law as the Secretary deems necessary, including providing technical assistance upon request of the State.

“(b) **DETERMINATION OF AMOUNT OF ALLOTMENTS.**—

“(1) **RESERVATIONS FROM APPROPRIATIONS.**—From the total amount made available under section 1002(b)(1) to carry out this subpart for a fiscal year, the Secretary—

“(A) shall reserve 1/2 of 1 percent for allotments for the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern

Mariana Islands, to be distributed among these outlying areas on the basis of their relative need, as determined by the Secretary in accordance with the purposes of this subpart;

“(B) shall reserve 1/2 of 1 percent for the Secretary of the Interior for programs under this subpart in schools operated or funded by the Bureau of Indian Affairs;

“(C) shall reserve not more than 3 percent or \$30,000,000, whichever is less, to carry out section 1206;

“(D) may reserve not more than 1 percent to carry out section 1207; and

“(E) shall reserve \$5,000,000 to carry out section 1208.

“(2) **STATE ALLOTMENTS.**—From the total amount made available under section 1002(b)(1) to carry out this subpart for a fiscal year and not reserved under paragraph (1), the Secretary shall allot 80 percent under this section among each of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

“(3) **DETERMINATION OF STATE ALLOTMENT AMOUNTS.**—

“(A) **IN GENERAL.**—Subject to subparagraph (B), the Secretary shall allot the amount made available under paragraph (2) for a fiscal year among the States described in such paragraph in proportion to the number of children, aged 5 to 17, who reside within the State from families with incomes below the poverty line (as defined by the Office of Management and Budget and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)) applicable to a family of the size involved for the most recent fiscal year for which satisfactory data are available, compared to the number of such individuals who reside in all such States for that fiscal year.

“(B) **EXCEPTIONS.**—

“(i) **IN GENERAL.**—Subject to clause (ii), no State receiving an allotment under subparagraph (A) may receive less than 1/4 of 1 percent of the total amount allotted under such subparagraph.

“(ii) **PUERTO RICO.**—The percentage of the amount allotted under subparagraph (A) that is allotted to the Commonwealth of Puerto Rico for a fiscal year may not exceed the percentage that was received by the Commonwealth of Puerto Rico of the funds allocated to all States under subpart 2 of part A for the preceding fiscal year.

“(4) **REALLOTMENT.**—If a State described in paragraph (2) does not apply for an allotment under this section for any fiscal year, or if the State’s application is not approved, the Secretary shall reallocate such amount to the remaining States in accordance with paragraph (3).

“(c) **SUBGRANTS TO LOCAL EDUCATIONAL AGENCIES.**—

“(1) **DISTRIBUTION OF SUBGRANTS.**—The Secretary may make a grant to a State under this section only if the State agrees to expend at least 80 percent of the amount of the funds provided under the grant for the purpose of making, in accordance with this subsection, competitive subgrants to local educational agencies.

“(2) **NOTICE.**—A State receiving a grant under this section shall provide notice to all local educational agencies in the State of the availability of competitive subgrants under this subsection and of the requirements for applying for the subgrants.

“(3) **LOCAL APPLICATIONS.**—To be eligible to receive a subgrant under this subsection, a local educational agency shall submit an application to the State at such time, in such manner, and containing such information as the State may reasonably require.

“(4) **LIMITATION TO CERTAIN LOCAL AGENCIES.**—A State receiving a grant under this section may award subgrants under this subsection only to local educational agencies—

“(A) that have the highest percentages of students in grades kindergarten through 3 reading below grade level; and

“(B) that—

“(i) have jurisdiction over—